

**ALZHEIMER SOCIETY OF ONTARIO**

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**2010 Financial Statements**

**ALZHEIMER SOCIETY OF ONTARIO**  
2010 Financial Statements

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## Auditors' Report

### To the Members of the Alzheimer Society of Ontario

We have audited the statement of financial position of the Alzheimer Society of Ontario (the "Society") as at March 31, 2010 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Society derives revenue from fund development activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of fund development revenue was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of fund development revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PKF Hill LLP

Chartered Accountants, Licensed Public Accountants  
May 14, 2010

**ALZHEIMER SOCIETY OF ONTARIO**  
**Statement of Financial Position**  
**As at March 31**

	2010	2009
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,073,391	\$ 1,338,804
Accounts receivable (note 3)	627,199	702,301
Prepaid expenses	48,877	117,677
	1,749,467	2,158,782
Investments (note 4)	1,770,073	1,530,213
Property and equipment (note 5)	250,526	297,753
	\$ 3,770,066	\$ 3,986,748
<b>LIABILITIES AND FUND BALANCES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 391,296	\$ 484,127
Support payable to member chapters	3,643	57,513
Deferred revenue (note 6)	235,362	365,555
	630,301	907,195
Commitments (note 7)		
Fund balances (note 8)		
Internally Restricted Funds (note 9)	1,864,355	1,864,355
Campaign Fund	417,192	733,387
Endowment Fund	196,298	196,298
Invested in Property and Equipment Fund	250,526	297,753
Unrestricted Fund	411,394	(12,240)
	3,139,765	3,079,553
	\$ 3,770,066	\$ 3,986,748

See accompanying notes

On behalf of the Board:

Director *RE Jamis*

Director *Bryan Lero*

**ALZHEIMER SOCIETY OF ONTARIO**  
**Statement of Revenue and Expenses**  
**Year ended March 31**

	2010	2009
Revenue		
Net fund development revenue (notes 10 and 12)	\$ 4,916,694	\$ 3,438,427
Investment income	258,538	(223,144)
Grants - government	310,609	260,244
Other	40,247	58,496
	<hr/> 5,526,088	<hr/> 3,534,023
Expenses (notes 11 and 12)		
Alzheimer Society of Canada operating cost assessment	1,331,832	-
Quality management and education	532,820	649,526
Public policy and government relations	306,095	400,547
Marketing and communications	383,152	441,165
Finance and operations	440,105	533,802
Governance	45,164	98,890
	<hr/> 3,039,168	<hr/> 2,123,930
First Link program	16,296	80,628
Alzheimer Knowledge Exchange program	282,463	173,202
Uniform Data Management project	91,148	87,606
	<hr/> 3,429,075	<hr/> 2,465,366
Operating surplus	2,097,013	1,068,657
Member chapter contributions for research	300,173	388,797
Research expenses (note 12)	(1,454,076)	(1,012,133)
Net surplus	943,110	445,321
Revenue sharing - member chapters (note 12)	(882,898)	(1,014,325)
Excess (deficiency) of revenue over expenses	<hr/> \$ 60,212	<hr/> \$ (569,004)

See accompanying notes

**ALZHEIMER SOCIETY OF ONTARIO**  
 Statement of Changes in Fund Balances  
 Year ended March 31

	2010				2009	
	Internally Restricted (note 9)	Campaign Fund (note 8)	Endowment Fund	Invested in Property and Equipment Fund	Unrestricted Fund	Total
Fund balance, beginning of year	\$ 1,864,355	\$ 733,387	\$ 196,298	\$ 297,753	\$ (12,240)	\$ 3,079,553
Excess (deficiency) of revenue over expenses	-	385,594	31,598	(63,692)	(293,288)	60,212
Invested in property and equipment	-	-	-	16,465	(16,465)	-
Endowment fund income for research (note 8)	-	31,598	(31,598)	-	-	-
Reimbursement of unspent internal transfer (note 8)	-	(733,387)	-	-	733,387	-
<b>Fund balances, end of year</b>	<b>\$ 1,864,355</b>	<b>\$ 417,192</b>	<b>\$ 196,298</b>	<b>\$ 250,526</b>	<b>\$ 411,394</b>	<b>\$ 3,139,765</b>
						<b>\$ 3,079,553</b>

See accompanying notes

**ALZHEIMER SOCIETY OF ONTARIO**  
**Statement of Cash Flows**  
**Year ended March 31**

	2010	2009
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 60,212	\$ (569,004)
Items not involving cash		
Unrealized investment (gains) losses	(217,129)	326,324
Amortization of property and equipment	63,692	47,976
	(93,225)	(194,704)
Net change in non-cash during the year		
Accounts receivable	75,102	(34,935)
Prepaid expenses	68,800	(39,178)
Accounts payable and accrued liabilities	(92,831)	153,451
Support payable to member chapters	(53,870)	(80,532)
Deferred revenue	(130,193)	34,618
	(132,992)	33,424
Cash flows from operating activities	(226,217)	(161,280)
Investing activities		
Additions to investments	(22,731)	(74,934)
Additions to property and equipment	(16,465)	(303,879)
Cash flows from investing activities	(39,196)	(378,813)
Decrease in cash and cash equivalents during the year	(265,413)	(540,093)
Cash and cash equivalents, beginning of year	1,338,804	1,878,897
Cash and cash equivalents, end of year	\$ 1,073,391	\$ 1,338,804

Cash and cash equivalents consist of the following:

Cash on hand and in banks for operations, bearing interest at 2.93% to 4.00%	\$ 236,647	\$ 756,965
Cash held for First Link and other programs (note 6), bearing interest at 0.00% to 4.00%	124,996	337,926
Deposits bearing interest at 1.75% to 4.15%	711,748	243,913
	\$ 1,073,391	\$ 1,338,804

See accompanying notes

# ALZHEIMER SOCIETY OF ONTARIO

## Notes to Financial Statements

Year ended March 31, 2010

### 1. Description of organization

The Alzheimer Society of Ontario (the "Society") is an association of individually incorporated member chapters whose mission is to alleviate the personal and social consequences of Alzheimer's Disease and related disorders and to promote research. The role of the Society is to collaborate with all levels of the organization in order to foster excellence in services, education and research.

The Society was incorporated on January 10, 1983 without share capital, under the relevant provisions of the Ontario Corporations Act. Under the Income Tax Act, the Society is classified as a registered charity and is therefore exempt from income taxes provided it complies with certain disbursement requirements as specified by the Act.

### 2. Summary of significant accounting policies

#### Financial statement presentation

The financial statements reflect only the assets, liabilities and operations under the administration of the Society. The assets, liabilities and operations of the various separately incorporated Ontario member chapters of the Society are not included in these financial statements.

These statements have been prepared by management in accordance with Canadian generally accepted accounting principles, using the restricted fund method of reporting restricted contributions.

#### Revenue recognition

Contributions, including public support, bequest and memoriams, corporate and foundations, are recognized as revenue when the amount can be reasonably estimated and collection is reasonably assured. Restricted contributions are initially recorded as deferred revenue and are recognized as revenue in the year in which the related expenses are incurred.

Investment income includes interest, dividends and realized and unrealized gains or losses on investments, and is reported net of fees, commissions, taxes and interest expense. Interest income is recorded using the accrual method and dividends are recorded when declared.

In-kind contributions are recorded at their fair value at the date of contribution when such value can be reasonably determined.

#### Cash and cash equivalents

Cash and cash equivalents include deposits in banks, certificates on deposits and short-term investments with original maturity dates of three months or less.

#### Financial instruments

Upon adoption of the financial instrument standard Section 3861, the Society designated its cash and cash equivalents and investments as held-for-trading, which are measured at fair value, accounts receivable as loans and receivables, which are measured at amortized cost, and accounts payable and support payable to member chapters as other financial liabilities, which are measured at amortized cost.



**ALZHEIMER SOCIETY OF ONTARIO**  
Notes to Financial Statements  
Year ended March 31, 2010

**2. Summary of significant accounting policies - continued**

Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Amortization is provided for on a straight-line basis over a period of five years for furniture and equipment and three years for computer equipment and web site development. Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease.

Interfund transfers and allocations

The excess (deficiency) of revenue over expenses for the year is allocated in accordance with the Society's financial policy statements. Any residual excess (deficiency) is allocated to the Unrestricted Fund. Interfund transfers are made in accordance with policies and guidelines approved by the Board of Directors.

Operating, overhead and executive expenses

Certain operating, overhead and executive expenses are allocated to other expense categories based upon reasonable estimates of staff time or costs incurred (note 11).

Donated services

The operation of the Society is dependent on services provided by volunteers. Since these services are not normally purchased by the Society and due to the difficulty of determining their fair market value, donated services are not recorded in the accounts.

Remuneration of Board of Directors

Members of the Board of Directors are volunteers who serve without remuneration.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses for the year then ended. Actual results may differ from such estimates.

Future accounting changes

The CICA has not issued any new accounting standards that will have a significant impact on future periods.

# ALZHEIMER SOCIETY OF ONTARIO

Notes to Financial Statements

Year ended March 31, 2010

## 3. Accounts receivable

	2010	2009
Alzheimer Society of Canada	\$ 333,711	\$ 119,189
Member chapters	201,834	447,300
Other	91,654	135,812
	<u>\$ 627,199</u>	<u>\$ 702,301</u>

## 4. Investments

	2010		2009	
	Cost	Market Value	Cost	Market Value
Investments - other	\$ 1,592,411	\$ 1,510,184	\$ 1,565,611	\$ 1,294,654
Investments - Endowment Fund	267,090	259,889	277,991	235,559
	<u>\$ 1,859,501</u>	<u>\$ 1,770,073</u>	<u>\$ 1,843,602</u>	<u>\$ 1,530,213</u>

## 5. Property and equipment

	2010			2009
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 127,935	\$ 34,115	\$ 93,820	\$ 119,407
Computer equipment	353,390	308,769	44,621	53,327
Website development	50,083	50,083	-	-
Leasehold improvements	129,331	17,246	112,085	125,019
	<u>\$ 660,739</u>	<u>\$ 410,213</u>	<u>\$ 250,526</u>	<u>\$ 297,753</u>

The Society moved to new premises in the 2009 fiscal year. Netted against the cost of leasehold improvements is lease inducements received totalling \$237,092.

## 6. Deferred revenue

	2010	2009
First Link Program grant	\$ 87,921	\$ 104,102
Alzheimer Knowledge Exchange grant	65,402	97,865
Other	82,039	163,588
	<u>\$ 235,362</u>	<u>\$ 365,555</u>

# ALZHEIMER SOCIETY OF ONTARIO

Notes to Financial Statements  
Year ended March 31, 2010

## 6. Deferred revenue - continued

A grant totalling \$250,000 (2009 - \$240,000) was received in connection with Alzheimer Knowledge Exchange (AKE), a MOHLTC program through the Elizabeth Bruyere Research Institute and the Seniors' Health Research Transfer Network. The grant supports those interested in improving the Ontario system of care for persons with Alzheimer Disease & Related Dementias (ADRD). The AKE facilitates the makers by connecting people to knowledge expertise. The grants received to date are part of a 3 year \$600,000 grant from the Institute.

## 7. Commitments

### (a) Joint lease agreement

Pursuant to the co-tenancy agreement, signed on April 1, 2008, the Alzheimer Societies of Canada, Ontario and Toronto co-located in new premises in order to benefit from efficiencies of scale. The co-tenancy agreement sets out the terms of the sharing of costs (based on the related cost drivers, which are primarily shared equally to each of the three co-tenants). Shared costs include leasehold improvements, furniture, equipment, rent, phones and IT.

The Society's portion of the operating lease commitment is as follows:

2011	\$ 107,553
2012	107,553
2013	107,553
2014	111,771
2015	120,207
Subsequent years	440,758
	<hr/>
	\$ 995,395

### (b) Direct response

In April 2009, the Society entered into a new Federation Agreement ("FA") with the Alzheimer Society of Canada ("ASC") which replaced the existing agreement between ASC and the provincial member societies. All funds received by ASC (except Safely Home registrations, investment income, national foundation and corporation revenue and federal government grants for centrally coordinated national programs) is distributed to the province from which it originated. Direct Mail revenue is flowed to the Society net of the related fund raising expenses (note 10). The Society pays ASC member assessments based on their percentage of total revenue across the federation in order to support ASC's expense budget.

Additionally, on April 1, 2009, the Society entered into a five year federation agreement with the 39 member chapters in Ontario. Under the terms of the agreement, the Society will distribute to the chapters all revenue received according to where the donors reside (except for donations designated to be spent on research, investment income and revenue from government, foundations and corporations for province-wide initiatives). Each chapter will pay the Society an assessment based on their percentage of total revenue taken from its share of allocated chapter revenue. The Society is committed to minimum annual payments of \$300,000 to the Toronto member chapter, \$250,000 to the Ottawa member chapter, and \$9,000 to each of the remaining chapters.

# ALZHEIMER SOCIETY OF ONTARIO

## Notes to Financial Statements

Year ended March 31, 2010

### 7. Commitments - continued

#### (c) Research expenses

In September 2007, the Society and its member chapters pledged to provide a minimum of \$1,500,000 during the period November 1, 2008 to December 1, 2011 to the Centre for Research in Neurodegenerative Diseases (CRND). During the year, the Society revised the terms of the pledge commitment so that \$150,000 will be paid annually for the first three years, after which future payments will be determined. The total pledge of \$1,500,000 has not been adjusted. The Society and Ontario member chapters have made payments totalling \$300,092 through March 31, 2010 towards this pledge.

In addition, the Society and Ontario member chapters made contributions totalling \$1,304,076 (2009 - \$862,040) to the Alzheimer Society of Canada Unified Research Program.

### 8. Fund balances

#### Fiscal Strength Fund

The purpose of the internally restricted Fiscal Strength Fund is to manage the financial risk of the Society and its member chapters and promote financial stability. The fund balance represents 50% of normalized operating and fund development expenses and is adjusted periodically to reflect changing expense levels.

#### Working Capital Fund

The purpose of the internally restricted Working Capital Fund is to manage the liquidity risk of the Society. The balance in this fund is reviewed periodically to reflect changing liquidity requirements.

#### Strategic Investment Fund

The purpose of the internally restricted Strategic Investment fund is to support province wide strategic initiatives where greater effectiveness, efficiency and/or economy can be realized through coordination at the Society level. Additions to the fund and expenditures from the fund require Board approval.

#### Campaign Fund

The externally restricted Campaign Fund was developed to manage the financial risk relating to the *Side by Side Campaign* for research and program delivery. This program was initiated with an internal transfer of \$750,000 from the unrestricted fund. At the end of the current fiscal year, the Society wound up this initiative. The unspent portion of the initial \$750,000, being \$733,387, has been returned to the unrestricted fund. The remaining fund balance will be disbursed in future periods for future research programs and services.

# ALZHEIMER SOCIETY OF ONTARIO

Notes to Financial Statements

Year ended March 31, 2010

## 8. Fund balances - continued

### Endowment Fund

In accordance with the terms of certain donations, principal amounts of monies received by the Society shall be held in trust for investment purposes. As per Board of Directors policy, realized investment income from such investments must be used to support medical research of Alzheimer's disease unless otherwise directed by the donor.

	2010	2009
Endowment principal amounts received	\$ 196,298	\$ 196,298

### Invested in Property and Equipment Fund

This fund comprises the net unamortized balance of property and equipment owned by the Society.

### Unrestricted Fund

The Unrestricted Fund comprises the cumulative residual surplus or deficit of the Society that remains after the provisions of all other funds have been satisfied.

## 9. Internally restricted funds

Fund	Opening Balance	Excess of Revenue Over Expenditures	Transfers	Closing Balance
Fiscal Strength	\$ 1,300,000	\$ -	\$ -	\$ 1,300,000
Working Capital	500,000	-	-	500,000
Strategic Investment	64,355	-	-	64,355
<b>Total</b>	<b>\$ 1,864,355</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,864,355</b>

## 10. Net fund development revenue

	2010			2009
	Operating	Campaign	Total	
Bequests	\$ 992,311	\$ -	\$ 992,311	\$ 1,053,004
Direct response (note 7(b))	3,306,729	-	3,306,729	1,516,037
Donations	757,812	241,852	999,664	1,288,014
Other	156,431	-	156,431	93,365
	<b>\$ 5,213,283</b>	<b>\$ 241,852</b>	<b>\$ 5,455,135</b>	<b>\$ 3,950,420</b>
Less: fund development expenses (note 12)			538,441	511,993
			<b>\$ 4,916,694</b>	<b>\$ 3,438,427</b>

# ALZHEIMER SOCIETY OF ONTARIO

## Notes to Financial Statements

Year ended March 31, 2010

### 11. Operating, overhead and executive expense allocations

Certain operating, overhead and executive expenses are allocated to other expense categories based upon reasonable estimates of staff time or costs incurred.

Summary of expenses:

	2010	2009
Facilities and office	\$ 339,579	\$ 320,921
Salaries and benefits	192,679	229,139
Professional fees and consulting	115,248	65,600
Amortization	63,692	47,976
Other	8,051	10,653
	<hr/>	<hr/>
	\$ 719,249	\$ 674,289

Summary of allocations:

	2010	2009
Fund development	\$ 182,977	\$ 141,435
Quality management and education	140,739	148,055
Public policy and government relations	112,580	131,419
Marketing and communications	126,660	119,081
Finance and operations	156,293	134,299
	<hr/>	<hr/>
	\$ 719,249	\$ 674,289

### 12. Expenditures summary

	2010	2009
Research	\$ 1,454,076	\$ 1,012,133
ASC operating cost assessment	1,331,832	-
Salaries and benefits	1,090,366	1,341,583
Revenue sharing - member chapters	882,898	1,014,325
Office and occupancy	399,537	405,706
Consulting and outsourcing	371,582	354,619
Alzheimer Knowledge Exchange program	282,463	173,202
Manulife Walk for Memories	91,411	95,072
Uniform Data Management project	91,148	87,606
Meetings, conferences and travel	91,075	191,171
Education and awareness	78,379	80,591
Amortization	63,692	47,976
Professional fees	32,345	50,865
Other	18,142	20,918
First Link program	16,296	80,628
Professional development	4,776	18,456
Membership and subscriptions	4,472	8,966
Innovation and leadership grants	-	20,000
	<hr/>	<hr/>
	\$ 6,304,490	\$ 5,003,817

## **ALZHEIMER SOCIETY OF ONTARIO**

### **Notes to Financial Statements**

**Year ended March 31, 2010**

#### **13. Financial instruments**

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from financial instruments. The carrying amounts of the current financial assets and liabilities approximate their fair value or amortized cost because of the short-term maturities of these items. The fair value of the investments as at March 31, 2010 is disclosed in note 4.

#### **14. Objectives, policies and processes for managing capital**

The Society defines its capital as the amounts included in its Fund balances. The Society's objective when managing its capital is to safeguard the Society's ability to continue to operate as a going concern so that it can continue to provide programs and services in line with its mission and vision.

Management develops annual budgets that are submitted to the Finance Committee for review. The budgets are developed to ensure the Society has the proper cash flow to fund operations and capital expenditures. A recommendation is made from the Committee to the Board for approval of the budgets. Management compares actual results to these budgets and reports these results to the Finance Committee and Board for quarterly review.

A portion of the Society's capital is restricted in that the organization is required to meet certain requirements in order to utilize its externally restricted fund balance, as described in note 8. The Society has internal control processes to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

